



GOVERNOR DAYTON'S FISCAL YEAR 2012-13 BUDGET

Keeping our Promises for Protecting Minnesotans' Health

Context/Background

Minnesota has long been a leader in health care innovation, and Minnesotans have benefitted from this leadership. We have some of the best doctors, nurses and health care professionals in the world, and our clinics and hospitals are world-class.

Health and human services represents 30% of the Governor's general fund budget and 40% of all expenditures for the FY 2012-13 biennium. More than 80% of this funding goes to provide health care for low-income seniors, disabled Minnesotans, and families with children, and long-term care for elderly and disabled Minnesotans.

The Department of Human Services also provides cash assistance for families in financial crisis, for childcare and child support enforcement programs for parents, and for services for people with mental illness and chemical dependency. In addition, the Department of Health operates programs that prevent infectious and chronic diseases and promote clean water, safe food, quality health care, and healthy living.

Governor Dayton's budget protects health care services for Minnesota's most vulnerable residents while taking steps to control dramatically rising health care costs, which are crowding out other human service programs and other state priorities like education and public safety. The recent state Budget Trends Study Commission concluded that if this cost growth continues unchecked over the next 25 years, all other segments of the state budget would have to remain essentially flat.

Governor's Proposal

The Governor's budget maintains \$12 billion for health and human services in FY 2012-13, after a net 2.8% reduction from forecast. This includes targeted reductions of \$680 million as well as investments of \$81 million and another \$250 million in provider rate increases to offset health care surcharges. This budget makes difficult reductions necessary to address the state's budget shortfall, while protecting core safety net services and aggressively pursuing reforms to slow cost growth and improve outcomes.

- **Protect core safety net services for those most in need and slow expenditure growth:** The Governor's budget protects health care eligibility for children, and retains coverage for all but 7,200 adults currently covered by public programs. MinnesotaCare coverage for adults with incomes above 200% of poverty is eliminated. The Governor's budget fully funds adoption assistance so neglected children can find permanent homes, and protects core cash assistance programs. It also manages growth in long-term care programs by focusing resources on people with the highest needs. Current caps on disability waiver programs are extended, and rate reductions and stricter eligibility criteria are applied to elderly waiver and alternative care programs.
- **Share the burden of the state's budget challenge with service delivery partners:** The Governor's budget increases Medical Assistance surcharges on providers a net total of \$627 million and reduces nursing facility rates by 2% and home and community based service rates by 4.5%.
- **Restore Minnesota's leadership on health care reform:** The Governor's budget jumpstarts Minnesota's Health Benefits Exchange by leveraging federal planning dollars. It also develops a streamlined eligibility system for publicly funded health care programs. The budget continues funding for state health reform activities including the Statewide Health Improvement Program (SHIP) and Department of Health reporting on health care cost and quality. It also offers incentives for health care providers to implement electronic health record technology.
- **Reform the managed care delivery system for publicly-funded health care programs:** The Governor's budget limits managed care administrative costs to the lowest in the nation. It moves toward competitive bidding for managed care contracts by launching a pilot program in the metro area. The budget also creates performance withhold incentives for managed care systems to

reduce hospital readmission rates by 25% over five years and to identify payment and care delivery reforms that achieve at least a 2.75% reduction in non-administrative costs.

Governor's Funding Recommendation

| General & Health Care Access Funds, \$ in millions | FY 2012-13 |
|---|-------------------|
| | |
| New Revenues | 892 |
| <i>MA Surcharges - Revenues</i> | <i>877</i> |
| <i>Other Revenues</i> | <i>15</i> |
| | |
| Spending Reductions | (775) |
| <i>General Fund</i> | <i>(679)</i> |
| <i>Health Care Access Fund</i> | <i>(96)</i> |
| | |
| New Spending | 392 |
| <i>MA Surcharges-Rate Increases</i> | <i>265</i> |
| <i>Investments</i> | <i>128</i> |
| | |
| Net Spending Changes | (383) |
| Net Total Changes | (1,275) |